
Lewiston City

Audited Financial Statements

June 30, 2005

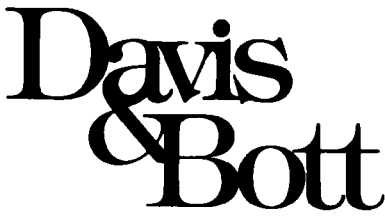
**Davis
& Bott**

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Lewiston City
June 30, 2005

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Independent Auditors' Report

The Mayor and City Council
Lewiston City
Lewiston, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund, and the aggregate remaining fund information of Lewiston, Utah, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Lewiston, Utah. Our responsibility is to express opinions on these financial statements based on our audit.

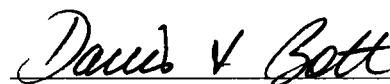
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, and the aggregate remaining fund information of Lewiston, Utah, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Independent Auditors' Report
Lewiston, Utah

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2006, on our consideration of Lewiston, Utah's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10, and on page 34, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Davis & Bott
Certified Public Accountants, L.C.

January 23, 2006

Lewiston City
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2005

As management of Lewiston, Utah, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2005. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

FINANCIAL HIGHLIGHTS

- A. The assets of the City exceeded its liabilities at June 30, 2005, by \$3,098,345. Of this amount, unrestricted net assets of \$413,832 may be used to meet the City's ongoing obligations to citizens and creditors.
- B. The total net assets decreased by \$22,693 over the prior year. Of this amount, a decrease of \$51,772 was associated with governmental activities and an increase of \$29,079 with business-type activities.
- C. As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$378,829, a decrease of \$136,276 in comparison with the prior year. Of this amount, \$5,268 is reserved for park impact fees, and \$9,564 is reserved for the Cub River Sports Complex.
- D. The unreserved fund balance for the general fund decreased by \$100,898 from the prior year, resulting in an unreserved balance of \$(10,636) at the end of the fiscal year.
- E. The City's long-term debt obligation decreased by \$36,985.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

Lewiston City
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2005

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and public improvements, sanitation, and parks and recreation. The business-type activities of the City consist of water and sewer.

The government-wide financial statements include only the City itself (known as the primary government). There are no component units that should be reported in the City's financial statements.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental and proprietary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Lewiston City
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2005

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions.

Both the governmental fund balance sheet and the government fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The City maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, capital projects fund and perpetual care fund. The City considers the general fund and the capital projects fund to be major funds and the perpetual care fund to be a nonmajor fund.

The City adopts a one year budget for its governmental funds. A budgetary comparison statement for the general fund has been provided.

Proprietary Funds. The City maintains only one type of proprietary fund, namely, enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Information is presented in the proprietary statement of net assets and the proprietary statement of revenues, expenses and changes in fund net assets for the culinary water and sewer operations.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At June 30, 2005, the City's assets exceeded liabilities by \$3,098,345. By far the largest portion of the City's net assets (85 percent) reflects its investment in capital assets. Capital assets are used to provide services to citizens and they are not available for future spending.

Lewiston City
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2005

Lewiston City's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Assets:						
Current and other assets	\$ 598,712	\$ 677,472	\$ 91,739	\$ 58,360	\$ 690,451	\$ 735,832
Capital assets	<u>1,024,312</u>	<u>939,809</u>	<u>2,057,070</u>	<u>2,104,785</u>	<u>3,081,382</u>	<u>3,044,594</u>
Total assets	1,623,024	1,617,281	2,148,809	2,163,145	3,771,833	3,780,426
Liabilities:						
Long-term liabilities						
outstanding	-	-	438,015	475,000	438,015	475,000
Other liabilities	<u>219,882</u>	<u>162,367</u>	<u>15,591</u>	<u>22,021</u>	<u>235,473</u>	<u>184,388</u>
Total liabilities	219,882	162,367	453,606	497,021	673,488	659,388
Net assets:						
Investment in capital assets, net of related debt	1,024,312	939,809	1,619,055	1,629,785	2,643,367	2,569,594
Restricted	14,832	13,553	26,314	25,819	41,146	39,372
Unrestricted	<u>363,998</u>	<u>501,552</u>	<u>49,834</u>	<u>10,520</u>	<u>413,832</u>	<u>512,072</u>
Total net assets	<u>\$ 1,403,142</u>	<u>\$ 1,454,914</u>	<u>\$ 1,695,203</u>	<u>\$ 1,666,124</u>	<u>\$ 3,098,345</u>	<u>\$ 3,121,038</u>

The unrestricted net assets of \$413,832 (13 percent) may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in both categories of net assets, both for the government as a whole, as well as for its individual governmental and business-type activities.

Lewiston City
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2005

Lewiston's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program						
revenues:						
Charges for						
services	\$ 256,329	\$ 253,250	\$ 258,313	\$ 269,007	\$ 514,642	\$ 522,257
Operating						
grants	135,066	211,902	-	-	135,066	211,902
Capital grants	3,951	-	9,000	-	12,951	-
General						
revenues:						
Property taxes	166,176	136,865	-	-	166,176	136,865
Sales and use						
taxes	161,693	150,543	-	-	161,693	150,543
Other taxes	6,548	23,746	-	-	6,548	23,746
Other	5,597	33,824	607	713	6,204	34,537
Total						
revenues	<u>735,360</u>	<u>810,130</u>	<u>267,920</u>	<u>269,720</u>	<u>1,003,280</u>	<u>1,079,850</u>
Expenses:						
General						
government	191,434	158,888	-	-	191,434	158,888
Public safety	76,310	68,154	-	-	76,310	68,154
Highways and						
public						
improvements	210,776	167,038	-	-	210,776	167,038
Sanitation	118,487	117,981			118,487	117,981
Parks and						
recreation	190,125	189,946	-	-	190,125	189,946
Interest on						
long-term						
debt	-	-	16,442	7,639	16,442	7,639
Water utility	-	-	180,904	200,722	180,904	200,722
Sewer utility	-	-	41,495	51,114	41,495	51,114
Total						
expenses	<u>787,132</u>	<u>702,007</u>	<u>238,841</u>	<u>259,475</u>	<u>1,025,973</u>	<u>961,482</u>
Increase in						
net assets	(51,772)	108,123	29,079	10,245	(22,693)	118,368
Net assets						
beginning	<u>1,454,914</u>	<u>1,346,791</u>	<u>1,666,124</u>	<u>1,655,879</u>	<u>3,121,038</u>	<u>3,002,670</u>
Net assets ending	<u>\$ 1,403,142</u>	<u>\$ 1,454,914</u>	<u>\$ 1,695,203</u>	<u>\$ 1,666,124</u>	<u>\$ 3,098,345</u>	<u>\$ 3,121,038</u>

Lewiston City
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2005

Governmental and Business-Type Activities. Governmental activities decreased the City's net assets by \$51,772. When combined with the \$29,079 increase in net assets from business-type activities, overall net assets decreased by \$22,692, or 1 percent. The decrease in governmental net assets is mainly due to the purchase of emergency medical services equipment. The increase in business-type activities is due mainly to additional charges for services.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Government Funds. The purpose of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the City's chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$(10,636), which comprises less than 0 percent of the total fund balance. Of the remaining general fund balance, \$5,268 is restricted for park impact fees and \$9,564 is restricted for the Cub River Sports Complex. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved general fund balance represents less than 0 percent of total general fund expenditures. The fund balance of the City's general fund decreased by \$99,619 during the fiscal year ended June 30, 2005. This decrease was mainly due to the purchase of public safety equipment and an increase in professional services.

The capital projects fund decreased mainly because of public safety capital item purchases.

The perpetual care fund increased slightly due to annual charges for services.

The water and sewer utility fund's net assets increased by \$29,079. This was due mainly to lower professional fees in connection with the sewer system and increased charges for service revenues from the sewer system.

**Lewiston City
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2005**

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget submitted for fiscal year 2005 was modified primarily to increase the budget for four revenue types to more properly reflect amounts received and adjust four expenditure categories to more properly reflect actual amounts. Revenue increases were made for Fire Department contracts and grants, tax revenue, building permit fee income and theater ticket sales. Budgeted revenues increased by \$84,608. Expenditures increased for insurance costs, Fire Department expenditures, theater expenses and to include budgeted expenditure amounts for the Crossing Guard, Animal Control and Cub River River Sports Complex Departments that were not included in the original budget. Budgeted expenditures increased by \$84,608.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City's investment in capital assets for its governmental and business-type activities at June 30, 2005, amounted to \$3,081,382 (net of accumulated depreciation). This investment in capital assets includes water rights, land, buildings, improvements, service lines, equipment, roads and similar infrastructure. The total increase in the City's investment in capital assets for the fiscal year ended June 30, 2005, was \$36,789 (an increase of 9 percent for governmental activities and a decrease of 2 percent for business-type activities).

**Lewiston City's Capital Assets
(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Water rights	\$ -	\$ -	\$ 402,100	\$ 400,000	\$ 402,100	\$ 400,000
Land	191,419	191,419	37,603	37,603	229,022	229,022
Buildings and improvements	584,454	651,962	1,532,100	1,591,569	2,116,554	2,243,531
Infrastructure	36,935	-	-	-	36,935	-
Equipment	211,504	96,428	85,267	75,612	296,771	172,040
Net capital assets	<u>\$ 1,024,312</u>	<u>\$ 939,809</u>	<u>\$ 2,057,070</u>	<u>\$ 2,104,784</u>	<u>\$ 3,081,382</u>	<u>\$ 3,044,593</u>

Additional information on the City's capital assets can be found in Note 3 on pages 27 and 28 of this report.

Lewiston City
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2005

Long-term debt. At June 30, 2005, the City had \$108,000 in outstanding revenue bonds and \$330,015 in a secured note payable.

Lewiston City's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenue bonds	\$ -	\$ -	\$ 108,000	\$ 115,000	\$ 108,000	\$ 115,000
Note payable	-	-	330,015	360,000	330,015	360,000
Total	\$ -	\$ -	\$ 438,015	\$ 475,000	\$ 438,015	\$ 475,000

Total long-term debt decreased by \$36,985 for the year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City is in the process of addressing flood control issues. Drain lines will be installed in the inter city blocks to mitigate flooding. There are aged flood control entities in the City that are not working very well. The City plans to work with the flood control entities to make them more functional.

The City also plans to take an inventory of all fire hydrants. Additionally, the fire hydrants will be updated and repaired as necessary to improve the fire protection system within the City.

The City is in the process of hiring a new employee to serve as the City treasurer. In the past, a council member has served in this position, but it has become necessary to hire another employee to be the City treasurer.

Lewiston City
Statement of Net Assets
June 30, 2005

	Primary Government		
	<u>Governmental</u>	<u>Business-Type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 347,312	\$ 66,452	\$ 413,764
Accounts receivable - net	16,293	25,287	41,580
Intergovernmental receivable	235,107	-	235,107
Capital assets, net of accumulated depreciation (Note 3)			
Water rights	-	402,100	402,100
Land	191,419	37,603	229,022
Buildings and improvements	584,454	1,532,100	2,116,554
Infrastructure	36,935	-	36,935
Equipment	211,504	85,267	296,771
Total assets	<u>1,623,024</u>	<u>2,148,809</u>	<u>3,771,833</u>
LIABILITIES			
Accounts payable and accrued liabilities	79,042	15,591	94,633
Deferred revenue	140,840	-	140,840
Long-term liabilities (Note 6):			
Due within one year	-	38,184	38,184
Due after one year	-	399,831	399,831
Total liabilities	<u>219,882</u>	<u>453,606</u>	<u>673,488</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,024,312	1,619,055	2,643,367
Restricted for:			
Impact fees	5,268	-	5,268
Cub River Sports Complex	9,564	-	9,564
Bond reserve requirement	-	26,314	26,314
Unrestricted	363,998	49,834	413,832
Total net assets	<u>\$1,403,142</u>	<u>\$1,695,203</u>	<u>\$3,098,345</u>

The accompanying notes are an integral part of these statements

Lewiston City
Statement of Activities
For the Year Ended June 30, 2005

Function/Program	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Business-Type Activities	
					Governmental Activities	Total
Governmental activities:						
General government	\$ 191,434	\$ 36,391	\$ -	\$ -	\$ (155,043)	\$ (155,043)
Public safety	76,310	19,746	6,925	-	(49,639)	(49,639)
Highways and public improvements	210,776	-	117,115	-	(93,661)	(93,661)
Sanitation	118,487	114,696	-	-	(3,791)	(3,791)
Parks and recreation	190,125	85,496	11,026	3,951	(89,652)	(89,652)
	787,132	256,329	135,066	3,951	(391,786)	(391,786)
Business-type activities:						
Water utility	197,346	194,668	-	9,000	-	6,322
Sewer utility	41,495	63,645	-	-	-	22,150
Total primary governmental activities	\$ 1,025,973	\$ 514,642	\$ 135,066	\$ 12,951	\$ (391,786)	\$ (363,314)
General revenues:						
Taxes:						
Property taxes					\$ 166,176	\$ 166,176
General sales and use taxes					161,693	161,693
RAPZ tax					5,228	5,228
Franchise tax					1,320	1,320
Unrestricted investment earnings					5,597	6,204
Total general revenues					340,014	340,621
Change in net assets					(51,772)	(22,693)
Net assets - beginning					1,454,914	3,121,038
Net assets - ending					\$ 1,403,142	\$ 3,098,345

The accompanying notes are an integral part of these statements.

Lewiston City
Balance Sheet - Governmental Funds
June 30, 2005

	General Fund	Capital Projects Fund	Nonmajor Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ -	\$331,178	\$16,134	\$347,312
Receivables (net):				
Accounts receivable	16,292	-	-	16,292
Property tax	146,460	-	-	146,460
Sales tax	59,941	-	-	59,941
RAPZ tax	3,131	-	-	3,131
Class B&C road	24,079			
Other	1,496	-	-	1,496
Interfund receivable	-	27,321	-	27,321
Total assets	<u>\$251,399</u>	<u>\$358,499</u>	<u>\$16,134</u>	<u>\$601,953</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 58,056	\$ -	\$ -	\$ 58,056
Accrued expenses	20,986	-	-	20,986
Deferred revenue	140,840	-	-	140,840
Interfund payable	27,321	-	-	27,321
Total liabilities	<u>247,203</u>	<u>-</u>	<u>-</u>	<u>247,203</u>
Fund Balance:				
Reserved for:				
Park impact fee	5,268			5,268
Cub River Sports Complex	9,564			9,564
Unreserved	(10,636)	358,499	16,134	363,997
Total fund balances	<u>4,196</u>	<u>358,499</u>	<u>16,134</u>	<u>378,829</u>
Total liabilities and fund balances	<u>\$251,399</u>	<u>\$358,499</u>	<u>\$16,134</u>	<u>\$626,032</u>

The accompanying notes are an integral part of these statements.

Lewiston City
Reconciliation of the Balance Sheet of the
Governmental Funds to the Statement of Net Assets
June 30, 2005

Total fund balances -
governmental fund types \$ 378,829

Amounts reported for governmental
activities in the statement of net
assets are different because:

Capital assets used in governmental
activities are not financial
resources and, therefore, are
not reported in the funds.

Land	\$ 191,419	
Buildings and improvements	1,103,674	
Machinery and equipment	694,537	
Infrastructure	37,072	
Accumulated depreciation	<u>(1,002,389)</u>	<u>1,024,313</u>

Net assets of governmental
activities \$ 1,403,142

The accompanying notes are an integral part of these statements.

Lewiston City
Statement of Revenues, Expenditures and Changes in Fund
Balances - Governmental Funds
For the Year Ended June 30, 2005

	General Fund	Capital Projects Fund	Nonmajor Fund	Total Governmental Funds
Revenues:				
Taxes				
Property taxes	\$166,176	\$ -	\$ -	\$ 166,176
Sales and use taxes	161,693	-	-	161,693
Franchise taxes	1,320			1,320
RAPZ taxes	5,228	-	-	5,228
Licenses and permits	23,211	-	-	23,211
Intergovernmental	140,736	-	-	140,736
Charges for services	204,641	-	5,120	209,761
Fines and forfeitures	11,762	-	-	11,762
Library	3,841	-	-	3,841
Earnings on investments	-	5,426	171	5,597
Miscellaneous revenues	6,034	-	-	6,034
Total revenues	<u>724,642</u>	<u>5,426</u>	<u>5,291</u>	<u>735,359</u>
Expenditures:				
Current:				
General government	176,946	-	-	176,946
Public safety	97,046	47,374	-	144,420
Highways and public improvements	241,428	-	-	241,428
Sanitation	118,487	-	-	118,487
Parks and recreation	190,354	-	-	190,354
Total expenditures	<u>824,261</u>	<u>47,374</u>	<u>-</u>	<u>871,635</u>
Excess (deficiency) of revenues over expenditures	<u>(99,619)</u>	<u>(41,948)</u>	<u>5,291</u>	<u>(136,276)</u>
Net change in fund balance	(99,619)	(41,948)	5,291	(136,276)
Fund balance at beginning of year	<u>103,815</u>	<u>400,447</u>	<u>10,843</u>	<u>515,105</u>
Fund balance at end of year	<u>\$ 4,196</u>	<u>\$358,499</u>	<u>\$16,134</u>	<u>\$ 378,829</u>

The accompanying notes are an integral part of these statements.

Lewiston City
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of the Governmental Funds to
the Statement of Activities
June 30, 2005

Amounts reported for governmental
activities in the statement of
activities are different because:

Net changes in fund balances - total
governmental funds

\$ (136,276)

Governmental funds report capital
outlays as expenditures. However,
in the statement of activities
the cost of those assets is
allocated over their estimated
useful lives and reported as
depreciation expense. This is the
amount by which capital outlays of
\$135,132 exceeded depreciation of
\$50,628 in the current period.

84,504

Change in net assets of govern-
mental activities

\$ (51,772)

The accompanying notes are an integral part of these statements.

Lewiston City
Statement of Net Assets - Proprietary Funds
June 30, 2005

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
Current assets:			
Pooled cash and cash equivalents	\$ 38,366	\$ 28,086	\$ 66,452
Accounts receivable, net	18,737	6,550	25,287
Total current assets	<u>57,103</u>	<u>34,636</u>	<u>91,739</u>
Noncurrent assets			
Capital assets (net of accumulated depreciation)			
Water rights	402,100	-	402,100
Land	1,865	35,738	37,603
System improvements	1,277,204	254,896	1,532,100
Furniture, fixtures and equipment	73,693	11,574	85,267
Total noncurrent assets	<u>1,754,862</u>	<u>302,208</u>	<u>2,057,070</u>
Total assets	<u>1,811,965</u>	<u>336,844</u>	<u>2,148,809</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	12,675	2,013	14,688
Customer deposits	903	-	903
Current portion of long-term debt	38,184	-	38,184
Total current liabilities	<u>51,762</u>	<u>2,013</u>	<u>53,775</u>
Noncurrent liabilities:			
Bonds payable	101,000	-	101,000
Notes payable	298,831	-	298,831
Total noncurrent liabilities	<u>399,831</u>	<u>-</u>	<u>399,831</u>
Total liabilities	<u>451,593</u>	<u>2,013</u>	<u>453,606</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,316,847	302,208	1,619,055
Restricted:			
Bond requirements	26,314	-	26,314
Unrestricted	17,211	32,623	49,834
Total net assets	<u>\$1,360,372</u>	<u>\$334,831</u>	<u>\$1,695,203</u>

The accompanying notes are an integral part of these statements.

Lewiston City
Statement of Revenues, Expenses and Changes in Fund
Net Assets - Proprietary Funds
For the Year Ended June 30, 2005

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating revenues:			
Charges for services	\$ 191,418	\$ 63,645	\$ 255,063
Connection fees	2,250	-	2,250
Other	1,000	-	1,000
Total operating revenues	194,668	63,645	258,313
Operating expenses:			
Wages and benefits	85,005	20,336	105,341
Materials and supplies	5,782	1,140	6,922
Maintenance and repairs	2,918	673	3,591
Professional services	3,973	5,080	9,053
Utilities and insurance	8,564	1,086	9,650
Depreciation	72,575	12,689	85,264
Bad debt	1,180	491	1,671
Miscellaneous	907	-	907
Total operating expenses	180,904	41,495	222,399
Operating income	13,764	22,150	35,914
Nonoperating revenues (expense):			
Interest revenue	472	135	607
Impact fee revenue	9,000	-	9,000
Interest expense	(16,442)	-	(16,442)
Total nonoperating revenues (expense)	(6,970)	135	(6,835)
Change in net assets	6,794	22,285	29,079
Total net assets - beginning	1,353,578	312,546	1,666,124
Total net assets - ending	\$1,360,372	\$334,831	\$1,695,203

The accompanying notes are an integral part of these statements.

Lewiston City
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2005

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Cash flows from operating activities:			
Receipts from customers	\$197,491	\$ 62,824	\$260,315
Payments to suppliers	(35,091)	(9,764)	(44,855)
Payments to employees	(79,046)	(18,322)	(97,368)
Net cash provided by (used in) operating activities	<u>83,354</u>	<u>34,738</u>	<u>118,092</u>
Cash flows from noncapital financing financing activities:			
Interfund loan repayments received (made)	<u>6,787</u>	<u>(6,787)</u>	<u>-</u>
Net cash provided by (used in) noncapital financing activities	<u>6,787</u>	<u>(6,787)</u>	<u>-</u>
Cash flows from capital and related financing activities:			
Capital contributions	9,000	-	9,000
Purchases of capital assets	(37,549)	-	(37,549)
Principal paid on capital debt	(36,985)	-	(36,985)
Interest paid on capital debt	<u>(16,113)</u>	<u>-</u>	<u>(16,113)</u>
Net cash provided by (used in) capital and related financing activities	<u>(81,647)</u>	<u>-</u>	<u>(81,647)</u>
Cash flows from investing activities:			
Interest and dividends received	<u>472</u>	<u>135</u>	<u>607</u>
Net cash provided by (used in) investing activities	<u>472</u>	<u>135</u>	<u>607</u>
Net increase (decrease) in cash and cash equivalents	8,966	28,086	37,052
Cash and cash equivalents - beginning	<u>29,400</u>	<u>-</u>	<u>29,400</u>
Cash and cash equivalents - end	<u>\$ 38,366</u>	<u>\$ 28,086</u>	<u>\$ 66,452</u>

The accompanying notes are an integral part of these statements.

Lewiston City
Statement of Cash Flows - Proprietary Funds (Continued)
For the Year Ended June 30, 2005

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 13,764	\$ 22,150	\$ 35,914
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation expense	72,575	12,689	85,264
(Increase)/decrease in accounts receivable	4,002	(329)	3,673
Increase (decrease) in accounts payable and accrued liabilities	<u>(6,987)</u>	<u>228</u>	<u>(6,759)</u>
Total adjustments	<u>69,590</u>	<u>12,588</u>	<u>82,178</u>
Net cash provided by (used in) operating activities	<u>\$ 83,354</u>	<u>\$ 34,738</u>	<u>\$118,092</u>

The accompanying notes are an integral part of these statements.

Lewiston City
Notes to Financial Statements
June 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The government of Lewiston, Utah, is governed by an elected mayor and a five member council. As required by generally accepted accounting principles, these financial statements present the financial condition of the government. Lewiston is not a component unit of any other entity, nor does it have any component units for which the Government would be considered financially accountable.

B. Government-Wide and Fund Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major and nonmajor funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or segment.

Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental and proprietary funds. All individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

See Independent Auditors' Report

Lewiston City
Notes to Financial Statements (Continued)
June 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statement rather than reported as an expenditure.

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The government has the following fund types:

Governmental funds are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable" and "available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. However, compensated absences expenditures are recorded only when payment is due.

See Independent Auditors' Report

Lewiston City
Notes to Financial Statements (Continued)
June 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental funds include the following fund types:

The **general fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **capital projects funds** account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

The **cemetery fund** is used to account for revenues and expenses associated with cemetery activities.

Proprietary funds are accounted for on the flow of economic resources, measurement focus and use of accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers to the system.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The City has two proprietary funds, the water utility fund and the sewer utility fund.

See Independent Auditors' Report

Lewiston City
Notes to Financial Statements (Continued)
June 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and then unrestricted resources as they are needed.

Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Equity

i. Cash and Investments

The government's restricted and unrestricted cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with the original maturities of three months or less from the date of acquisition. Currently, the only investing is done with Lewiston State Bank.

ii. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds", if they are not projected to be repaid within one year, and as "interfund receivable/payable" for amounts projected to be repaid within one year.

iii. Capital Assets

Capital assets used in governmental fund type operations are accounted for in the governmental activities column in the statement of net assets, but not in governmental funds. Governmental capital assets consisting of certain improvements other than buildings, including roads, bridges, streets, drainage systems and lighting system placed in service prior to June 30, 2003, have not been capitalized.

See Independent Auditors' Report

Lewiston City
Notes to Financial Statements (Continued)
June 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

Depreciation of all exhaustible capital assets is charged as an expense against its operations in the government-wide financial statements and the proprietary fund financial statements. Accumulated depreciation is reported on the government-wide and proprietary fund statements of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	25 - 50 years
Improvements	7 - 50 years
Equipment	3 - 20 years
Infrastructure	15 - 40 years

E. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Budget and Budgetary Accounting

The City follows the budget and budgetary accounting procedures established by Utah law and described in the Uniform Accounting Manual for Utah Cities and Towns. The current year budget was amended according to Utah law.

G. Restricted Net Assets

Net assets have been restricted for park impact revenues received that have not yet been expended for qualified impact fee purposes. Impact fee revenues are restricted for specified use by state law.

See Independent Auditors' Report

Lewiston City
Notes to Financial Statements (Continued)
June 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, net assets have been restricted for the Cub River Sports Complex. This restriction is established through an agreement with Richmond City that such funds be used for capital improvements.

NOTE 2. CASH AND INVESTMENTS

At year end, Lewiston, Utah's, carrying amount of deposits was \$195,316 and the bank balance was \$195,864; of the bank balance, \$100,000 was FDIC insured and \$95,864 was uncollateralized.

At the end of the year, Lewiston, Utah's, carrying amount and bank balance of certificates of deposit was \$218,448, of which the full amount was uncollateralized.

Statutes authorize Lewiston to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, Commercial Paper Rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record and the State Treasurer's Investment Pool. Certificates of deposit are unrated for credit risk purposes and have a maturity of less than one year.

The City follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953 Section 51, Chapter 7) in handling its depository and temporary investment transactions. This law requires the deposit of City funds in a "qualified depository." The act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Lewiston City
Notes to Financial Statements (Continued)
June 30, 2005

NOTE 2. CASH AND INVESTMENTS (Continued)

Lewiston's investments and at year end are shown below:

	<u>Carrying</u> <u>Amount</u>	<u>Market</u> <u>Value</u>
Certificates of deposit (Uninsured and unregistered)	\$ <u>218,448</u>	\$ <u>218,448</u>
Total investments	\$ <u>218,448</u>	\$ <u>218,448</u>

NOTE 3. CAPITAL ASSETS

The following is a summary of changes in capital assets during the fiscal year:

Governmental Activities:

	June 30, 2004 <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	June 30, 2005 <u>Balance</u>
Capital assets not being depreciated:				
Land	\$ 191,419	\$ -	\$ -	\$ 191,419
Capital assets being depreciated:				
Infrastructure	-	37,072	-	37,072
Buildings and improvements	1,093,623	10,050	-	1,103,673
Machinery and equipment	<u>629,028</u>	<u>88,010</u>	<u>(22,500)</u>	<u>739,538</u>
Totals at historical cost	<u>1,914,070</u>	<u>135,132</u>	<u>(22,500)</u>	<u>2,071,702</u>
Less accumulated depreciation:				
Infrastructure	-	(137)	-	(137)
Buildings and improvements	(446,482)	(24,436)	-	(470,918)
Machinery and equipment	<u>(527,779)</u>	<u>(26,055)</u>	<u>22,500</u>	<u>(576,334)</u>
Total accumulated depreciation	<u>(974,261)</u>	<u>(50,628)</u>	<u>22,500</u>	<u>(1,047,389)</u>
Governmental activities capital assets - net	<u>\$ 939,809</u>	<u>\$ 84,504</u>	<u>\$ -</u>	<u>\$ 1,024,313</u>

See Independent Auditors' Report

Lewiston
Notes to Financial Statements (Continued)
June 30, 2005

NOTE 3. CAPITAL ASSETS (continued)

Business-Type Activities:

	June 30, 2004			June 30, 2005
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Capital assets not being depreciated:				
Land and water rights	\$ 437,603	\$ 2,100	\$ -	\$ 439,703
Total capital assets not being depreciated	<u>437,603</u>	<u>2,100</u>	<u>-</u>	<u>439,703</u>
Capital assets being depreciated:				
Buildings	572,275	-	-	572,275
Systems and equipment	<u>2,415,486</u>	<u>35,449</u>	<u>-</u>	<u>2,450,935</u>
Totals at historical cost	<u>3,425,364</u>	<u>37,549</u>	<u>-</u>	<u>3,462,913</u>
Less accumulated depreciation:				
Buildings	(110,206)	(14,174)		(124,380)
Systems and equipment	<u>(1,210,373)</u>	<u>(71,090)</u>	<u>-</u>	<u>(1,281,463)</u>
Total accumulated depreciation	<u>(1,320,579)</u>	<u>(85,264)</u>	<u>-</u>	<u>(1,405,843)</u>
Business-type activities capital assets - net	<u>\$ 2,104,785</u>	<u>\$ (47,715)</u>	<u>\$ -</u>	<u>\$ 2,057,070</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 15,877
Highways and public improvements	11,607
Public safety	10,466
Parks and recreation	<u>12,678</u>
Total depreciation expense governmental activities	<u>\$ 50,628</u>

See Independent Auditors' Report

Lewiston City
Notes to Financial Statements (Continued)
June 30, 2005

NOTE 4. REFUNDABLE WATER DEPOSITS

The water fund requires deposits for all new water connections only on rented residences. The deposit is refunded upon termination of service if no balance is owed on the customer account. If an outstanding balance exists at termination, the deposit is first applied tot the outstanding balance with any excess funds refunded. A total of the detailed list of deposits is carried as a current liability on the City records.

NOTE 5. INTERFUND BALANCES/TRANSFERS

Interfund balances consisted of the following at June 30, 2005:

	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due to/from	Capital projects	General	<u>\$27,321</u>

NOTE 6. LONG-TERM DEBT

Long-term liability activity for the fiscal year ending June 30, 2005, was as follows:

	June 30, 2004 <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	June 30, 2005 <u>Balance</u>	Current <u>Portion</u>
Note and bond payable:					
Bond payable	\$115,000	\$ -	\$ 7,000	\$108,000	\$ 7,000
Note payable	<u>360,000</u>	<u>-</u>	<u>29,985</u>	<u>330,015</u>	<u>31,184</u>
Total long-term liabilities	<u>\$475,000</u>	<u>\$ -</u>	<u>\$36,985</u>	<u>\$438,015</u>	<u>\$38,184</u>

See Independent Auditors' Report

Lewiston City
Notes to Financial Statements (Continued)
June 30, 2005

NOTE 6. LONG-TERM DEBT (Continued)

Bonds and notes payable are solely in the water fund at June 30, 2005, and are comprised of the following:

Revenue bond:

Water revenue bond in the amount of \$155,000, Series 1998, issued on January 1, 1998, due in annual installments ranging from \$6,000 to \$9,000 until January 1, 2018, plus interest at 2.25 percent.

\$ 108,000

Note payable:

Note payable issued on February 1, 2004. The note is due in annual installments of \$44,385 including interest at 4.00 percent. Final payment is due on February 1, 2014. The note is secured by water rights.

\$ 330,015

Debt service requirements:

Debt service requirements for the proprietary fund's long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>
Year ending June 30:		
2006	\$ 38,184	\$ 15,631
2007	39,431	14,226
2008	41,729	12,771
2009	43,078	11,242
2010	44,481	9,659
2011 - 2015	204,112	22,435
2016 - 2020	<u>27,000</u>	<u>1,215</u>
Total	<u>\$ 438,015</u>	<u>\$ 87,179</u>

See Independent Auditors' Report

Lewiston City
Notes to Financial Statements (Continued)
June 30, 2005

NOTE 7. RESTRICTED FUND BALANCE

Restricted net assets and reserved fund equity represent moneys required to be maintained to satisfy third party agreements or legal requirements. The following schedule details restricted net assets and reserved equity fund balances at June 30, 2005:

General fund:

Park impact fees	\$ 5,268
Cub River Sports Complex	<u>9,564</u>
Total general fund/governmental activities	<u>\$ 14,832</u>

Water fund:

Revenue bond reserves	\$ 26,314
Total water fund/business-type activities	<u>\$ 26,314</u>

NOTE 8. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The following funds and/or departments had expenditures in excess of budget:

	<u>Actual</u>	<u>Budget</u>	<u>Excess</u>
Capital projects fund	\$ 47,374	\$ 20,000	\$ (27,374)
Highways and public improvements	\$ 241,428	\$ 183,554	\$ (57,874)
Parks and recreation	\$ 190,354	\$ 183,513	\$ (6,841)

The following fund has a deficit unreserved fund balance:

General fund	\$10,636
--------------	----------

This deficit balance is the result of street and road project expenditures being paid for from the general fund. Designations of fund balances were maintained in the capital projects fund for the expenditures, but general fund monies were used rather than capital project fund monies. The City will remedy the deficit balance in the upcoming fiscal year.

See Independent Auditors' Report

Lewiston City
Notes to Financial Statements (Continued)
June 30, 2005

NOTE 9. PROPERTY TAX

Property taxes attached as an enforceable lien on property as of January 1. Taxes are levied on June 15 and are due November 30. Property tax revenues are not recognized when levied because they are not expected to be collected within 60 days after the end of the current year. This policy meets the criteria of GASB. Property taxes received within thirty (30) days of year end are recognized as revenue at year end.

NOTE 10. PENSION BENEFIT OBLIGATIONS

The City contributes to the Utah local Government Noncontributory Retirement Plan, a cost-sharing, multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board, whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102, or by calling 1-800-365-8772.

In the Local Governmental Noncontributory Retirement System, the City was required to contribute 11.09 percent of the eligible employees' annual covered salary. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The City's contributions to the Systems for the years ended June 30, 2005, 2004 and 2003 were \$17,344, \$13,970 and \$12,166, respectively.

See Independent Auditors' Report

Lewiston City
Notes to Financial Statements (Continued)
June 30, 2005

NOTE 10. PENSION BENEFIT OBLIGATIONS (Continued)

All contributions by the City were paid by the due dates or within 30 days thereafter and were equal to the required contributions for each year.

The Utah State Retirement Board of the Utah Retirement Systems provides the City with the necessary retirement disclosures for this report. The Utah Retirement Systems have implemented the accounting and reporting requirements of the Governmental Accounting Standards Board (GASB) Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers."

The City maintains a qualified defined contribution plan under Section 401(k) of the Internal Revenue Code, which is administered by the Utah Retirement Systems. Under the plan, eligible employees may elect to contribute a portion of their salary, subject to Internal Revenue Service limits. Contributions of \$8,987, \$8,504 and \$8,360 were made to the 401(k) plan during the years ended December 31, 2005, 2004 and 2003, respectively. Of these amounts, \$4,800, \$4,800 and \$4,650 were contributed by employees for the years ended December 31, 2005, 2004 and 2003, respectively, and \$4,187, \$3,704 and \$3,710 were contributed by the City on behalf of employees for the years ended December 31, 2005, 2004 and 2003, respectively.

NOTE 11. RISK MANAGEMENT

Lewiston, Utah, is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. All general liability, real property and all vehicles, including heavy equipment, are insured through the Utah Local Government Trust. Injuries to employees are insured through employees' workers compensation. Settled claims have not exceeded the City's insurance coverage for any of the past three years. For insured programs, there have been no significant reductions in insurance coverage.

See Independent Auditors' Report

Required Supplementary Information

Lewiston City
Budgetary Comparison Schedule (Unaudited)
General Fund
For the Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Taxes	\$313,500	\$330,000	\$334,417	\$ 4,417
Licenses and permits	12,200	22,000	23,211	1,211
Intergovernmental	161,000	196,000	140,736	(55,264)
Charges for services	177,300	195,208	204,641	9,433
Fines and forfeitures	11,400	11,400	11,762	362
Library	-	-	3,841	3,841
Miscellaneous revenues	8,000	13,400	6,034	(7,366)
Total revenues	<u>683,400</u>	<u>768,008</u>	<u>724,642</u>	<u>(43,366)</u>
Expenditures:				
General government	155,762	177,112	176,946	166
Public safety	67,965	101,465	97,046	4,419
Highways and public improvements	182,954	183,554	241,428	(57,874)
Sanitation	122,364	122,364	118,487	3,877
Parks and recreation	153,012	183,513	190,354	(6,841)
Total expenditures	<u>682,057</u>	<u>768,008</u>	<u>824,261</u>	<u>(56,253)</u>
Excess (deficiency) of revenues over expenditures	1,343	-	(99,619)	(99,619)
Other financing sources (uses):				
Transfers in (out)	<u>(1,343)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,343)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	(99,619)	(99,619)
Fund balance at beginning of year	<u>103,815</u>	<u>103,815</u>	<u>103,815</u>	<u>-</u>
Fund balance at end of year	<u>\$103,815</u>	<u>\$103,815</u>	<u>\$ 4,196</u>	<u>\$(99,619)</u>

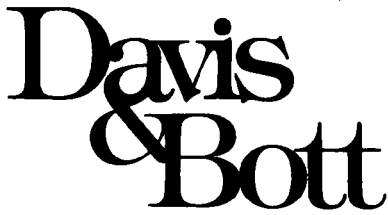
See Independent Auditors' Report

Lewiston City
Note to Budgetary Comparison Schedule (Unaudited)
June 30, 2005

The Highways and Public Improvements Department of the general fund had expenditures in excess of budget of \$57,874 for the year ended June 30, 2005. This is a violation of state law.

The Parks and Recreation Department of the general fund had expenditures in excess of budget of \$6,841 for the year ended June 30, 2005. This is in violation of state law.

See Independent Auditors' Report



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**REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and
Members of the Lewiston City Council
Lewiston, Utah 84301

We have audited the financial statements of the governmental activities, the business-type activities and each major fund, and the aggregate remaining fund information of Lewiston, Utah, as of and for the year ended June 30, 2005, which collectively comprise the City of Lewiston's basic financial statements and have issued our report thereon dated January 23, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lewiston, Utah's, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

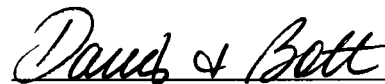
**REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS (Continued)**

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Lewiston, Utah, in a separate letter dated January 23, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lewiston, Utah's, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Audit Standards*. However, we noted certain immaterial instances of noncompliance or other matters that we have reported to the management of Lewiston, Utah, in a separate letter dated January 23, 2006.

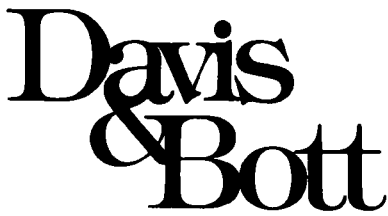
This report is intended solely for the information and use of management, the City Council, and the various state funding and auditing agencies and is not intended to be, and should not be used by, anyone other than these specified parties.



Davis & Bott

Certified Public Accountants, L.C.

January 23, 2006



Certified Public Accountants, L.C.

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**AUDITORS' REPORT ON
STATE OF UTAH LEGAL COMPLIANCE**

The Honorable Mayor and Members of the
Lewiston City Council
Lewiston, Utah 84301

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund, and the aggregate remaining fund information of Lewiston, Utah, for the year ended June 30, 2005, and have issued our report thereon dated January 23, 2006. As part of our audit, we have audited the City of Lewiston's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major assistance programs from the State of Utah:

- * B&C road funds (Department of Transportation)
- * Liquor law enforcement (State Tax Commission)

The City received no nonmajor grants during the current audit period.

Our audit also included test work on the City's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

- * Public debt
- * Cash management
- * Purchasing requirements
- * Budgetary compliance
- * Truth in taxation and property tax limitations
- * Liquor law enforcement
- * Justice Court compliance
- * B&C road funds
- * Other general compliance issues
- * Uniform building code standards
- * Impact fees

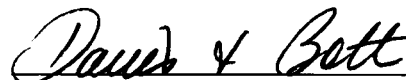
AUDITORS' REPORT ON STATE OF UTAH
LEGAL COMPLIANCE
(Continued)

The management of Lewiston, Utah, is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying letter of recommendations. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Lewiston, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.



Davis & Bott

Certified Public Accountants, L.C.

January 23, 2006

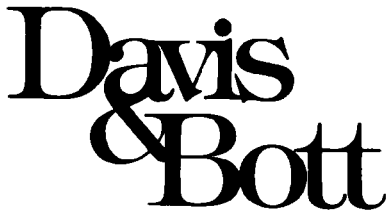
Lewiston City

Letter of Recommendations

June 30, 2005

**Davis
& Bott**

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The Honorable Mayor and
Members of the City Council
Lewiston City
Lewiston, UT 84320

We have audited the financial statements of Lewiston City for the year ended June 30, 2005, and have issued our report thereon dated January 23, 2006. As part of our examination, we made a study and evaluation of the City's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the City's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of Lewiston City is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Lewiston City taken as a whole.

However, our study and evaluation disclosed the following reportable or agreed-upon conditions that we believe result in a relatively low risk that errors or irregularities in amounts that would be material in relation to the financial statements of Lewiston City may occur and not be detected within a timely period.

CURRENT YEAR RECOMMENDATIONS

1. PAYROLL

Issue: Payroll expenses and benefits are not being properly allocated to funds and departments.

Recommendation: It is recommended payroll expenses and employee benefits be allocated to the proper funds and departments.

Response: The City will implement this recommendation.

2. PETTY CASH

Issue: Petty cash money is not being reconciled periodically to ensure transactions are included in the general ledger.

Recommendation: It is recommended the petty cash be reconciled periodically to ensure petty cash transactions are included in the general ledger.

Response: The City will implement this recommendation by having two members of the council reconcile petty cash.

3. JUSTICE COURT FUNDS

Issue: State law requires that Justice Court funds due to the state be remitted by the tenth of each month for funds received during the prior month.

CURRENT YEAR RECOMMENDATIONS, continued

Recommendation: It is recommended the City remit Justice Court funds owed to the state within the required time.

Response: The City is in the process of implementing this recommendation by hiring another employee.

4. PUBLIC FUNDS DEPOSITS

Issue: State law requires public funds be deposited within three business days of receipt. The City is maintaining public funds longer than three days before the funds are deposited.

Recommendation: It is recommended the City deposit public funds within three days of receipt.

Response: The City will implement this recommendation.

5. STATE LEGAL COMPLIANCE REPORT

Issue: A copy of the City's State Legal Compliance Audit Report was not submitted to the B&C administrator within six months of the fiscal year end.

Recommendation: It is recommended the City file a copy of its State Legal Compliance Audit Report with the B&C administrator by the required date.

Response: The City will implement this recommendation.

6. REPORTS TO STATE DEPARTMENTS

Issue: Reports required to be submitted to state departments have not been submitted within the required time.

Recommendation: It is recommended the City submit reports required to be sent to state departments within the required reporting time.

Response: The City is in the process of hiring another employee to assist in the filing of reports in a timely manner.

CURRENT YEAR RECOMMENDATIONS, continued

7. BONDING OF PUBLIC TREASURER

Issue: The public treasurer is inadequately bonded to be in compliance with state law.

Recommendation: It is recommended the City treasurer's fidelity bond be increased to the amount required by state law.

Response: The City will increase the fidelity bond coverage on the public treasurer to comply with state legal requirements.

8. DEFICIT FUND BALANCE

Issue: The general fund incurred expenditures in excess of revenue received and the available unrestricted fund balance, resulting in a deficit unrestricted fund balance.

Recommendation: It is recommended the City closely monitor General Fund activity in order to restore the deficit unrestricted fund balance to a positive amount.

Response: The City will implement this recommendation.

PRIOR RECOMMENDATIONS

1. BANK ACCOUNT RECONCILIATIONS

Issue: Bank accounts should be reconciled to the general ledger and discrepancies should be investigated.

Recommendation: It is recommended the City's bank accounts be reconciled to the general ledger and discrepancies be investigated.

Current Status: This recommendation has been implemented.

PRIOR RECOMMENDATIONS, continued

2. IMPACT FEES

Issue: With the enactment of impact fees, the City is required to keep an accounting of impact fees received and qualified expenditures.

Recommendation: It is recommended the City establish an accounting of impact fees received and qualifying expenditures. Amounts expended for qualified expenditures should be documented in the minutes of the City meetings.

Current Status: The City is in the process of implementing this recommendation.

3. ACCOUNTS RECEIVABLE

Issue: The accounts receivable ledger did not agree to the general ledger.

Recommendation: It is recommended the City design and implement a process for reconciling accounts receivable with the general ledger on a monthly basis.

Current Status: This recommendation has been implemented.

4. CHECK CUT OFF

Issue: Checks written subsequent to June 30, 2004, were not recorded in the proper period.

Recommendation: It is recommended the City implement a process for obtaining a cut off each month so the financial statements are properly stated.

Current Status: This recommendation has not been implemented.

PRIOR RECOMMENDATIONS, continued

5. EXPENDITURES IN EXCESS OF BUDGET

Issue: State law requires that officers and employees of the City shall not incur expenditures or encumbrances in excess of the total appropriation for any department or fund. The City expended funds in excess of their appropriation for the Cemetery Department and the capital projects fund.

Recommendation: It is recommended the City monitor its budgets and adopt changes as necessary.

Current Status: This recommendation has not been implemented as the capital projects fund has expenditures in excess of budget, as does the Streets and Public Improvements and Parks and Recreation Departments of the general fund.

6. SEGREGATION OF DUTIES

Issue: The responsibilities for handling cash, recording transactions and reconciling accounting records should be separated whenever possible. It was noted that some employees perform a combination of the above functions.

Recommendation: When segregation of duties is not possible, increased management oversight is recommended.

Current Status: Segregation of duties remains inadequate. The City plans to hire another employee to further segregate accounting functions.

7. ACCOUNTING POLICIES AND PROCEDURES

Issue: The City does not have written accounting policies and procedures.

Recommendation: It is recommended the City document its basic accounting policies and procedures in order to facilitate a flow of information.

Current Status: The City is in the process of implementing this recommendation.

8. REPORT FILING

Issue: The City was unable to locate certain Justice Court receipt documentation. In addition, it was noted certain reports to the state were not filed timely.

Recommendation: It is recommended the City design and implement a process for records retention of its Justice Court receipts and related documentation. In addition, the City should implement procedures to ensure that reports are submitted in accordance with state requirements.

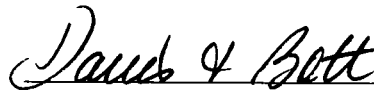
Current Status: This recommendation has not been implemented.

CONCLUSION

The matters discussed herein have been brought to the attention of responsible City personnel during the course of our examination. As a result, many of these recommendations are either being implemented or are under consideration at the time of issuance of this letter.

We wish to take this opportunity to express our thanks and appreciation for the courtesy and assistance extended to us by your personnel during our audit work.

We welcome the opportunity to discuss further any points mentioned herein. We feel that proper implementation of these suggestions will improve internal controls and protect the City's assets.



Davis & Bott

Certified Public Accountants, L.C.

January 23, 2006
Brigham City, Utah